USTELECOM
THE BROADBAND ASSOCIATION

October 21, 2011

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: WC Docket No. 10-90; GN Docket No. 09-51; WC Docket No. 07-135; WC Docket No. 05-337; CC Docket No. 01-92; CC Docket No. 96-45; WC Docket No. 04-36

Dear Ms. Dortch:

On Thursday, October 20, 2011, Mike Rhoda (Windstream), Kathleen Abernathy (Frontier), Steve Davis (Qwest), Bob Quinn (AT&T), Mike Skrivan (FairPoint), Kathy Grillo (Verizon), Walter McCormick and I (USTelecom) met with Patrick Halley, Rebekah Goodheart, Steve Rosenberg, Brad Gillen, Carol Mattey (Wireline Competition Bureau), Eddie Lazarus and Zac Katz (Office of Chairman Genachowski), Paul de Sa (Office of Strategic Planning) and Michael Steffen (OGC). We discussed the particular aspects of reforming universal service and intercarrier compensation set out below:

- How to reduce intercarrier compensation rates and revenues without inhibiting investment by companies in rural areas with high costs. Reducing revenues without providing reasonable transitions and opportunities that are adequate to recover those revenues will inevitably affect investment levels and the delivery of broadband services in higher cost areas. We discussed the potential effects on individual companies of different approaches to revenue recovery and the ability of individual companies to recover revenue from potential increases in flat-rated charges.

- We discussed the operation of an access recovery fund that would replace a limited amount of access revenues lost through mandated rate reductions. In particular, we discussed whether any support from such a fund could properly be tied to the provision of broadband services in rural areas and whether, in addition, such funds should be directed to capital expenditures for constructing last mile facilities to unserved households and/or middle mile facilities that serve areas without unsubsidized competitors.

- With regard to interim universal service support from the first phase of a CAF, we discussed whether a requirement that deployment meet a timetable that included milestones to be met by the second year and project completion by the end of the third year after receipt of support would be appropriate. We also discussed a potential amount of $300 million in incremental support and appropriate ways to distribute that support and calculate the amount of incremental support based on a regression analysis originally proposed by a group of mid-sized carriers. We pointed out the merits of using an "as if" calculation to determine the amount of incremental support at a holding company level. This approach would essentially leave legacy USF support as legacy funding and benefit from avoiding the complexity of rearranging such funding. We also discussed that carriers should be able to refuse interim funding.

- We discussed the possibility of broadband service obligations during the first phase of a CAF being built around the provision of 4M/1M service with the possibility of lower speeds during this phase based on particular circumstances. In addition, we discussed developing an average or company-specific cost of providing broadband to an unserved household. We pointed out that any such number would vary over companies depending on territories and current broadband deployment and over time as higher and higher cost households are reached.

- We also discussed the potential harms of immediately converting rate-of-return areas served by companies held by price cap carriers and the benefits of reasonable transitions in this area.

- Regarding the second phase of a CAF, we discussed balancing speeds, particularly upstream speeds, with network costs and the negative relationship between higher speed requirements and the number of locations that can be served. We discussed requirements of 4/1 broadband service with the possibility of some flexibility to provide, in particular, lower upstream speeds to fewer than all locations in an area. We further discussed a goal of 6/1.5 broadband service for as many locations as possible in the out years of the CAF.

- Also regarding the second phase of a CAF, we discussed a path for funding to begin in 2013 with full funding available in 2014. We discussed whether a CAF could reasonably be limited to a five-year period and the network build challenges and likely reduction in locations served that would result for using this relatively short funding period.

- We also discussed the importance of matching support with obligations in both phases of the CAF as well as in the area of legacy communications. We emphasized the importance of terminating federal legacy obligations when federal support for legacy services is not available or terminates in order to allow companies to streamline costs and better compete for customers.

Pursuant to Commission rules, please include a copy of this filing in each of the above-referenced dockets.

Sincerely,

Jonathan Banks

Jonathan Banks

c: Patrick Halley
Rebekah Goodheart
Steve Rosenberg
Brad Gillen
Carol Mattey
Eddie Lazarus
Zac Katz
Paul de Sa
Michael Steffen